GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2168
ANSWERED ON:01.12.2000
SURVEY BY NCAER ON INVESTMENT
BASUDEB ACHARIA

Will the Minister of FINANCE be pleased to state:

(a) Whether the attention of the Government has been drawn to the survey made by the National Council for Applied Economic Research (NCAER) which has portrayed a gloomy picture on business confidence in this country and attributed it to a poor perception of the investment climate in India ;

(b) if so, the reaction of the Government thereto ;and

(c) the corrective steps likely to be taken in this regard ?

Answer

Minister of State in the Ministry of Finance (SHRI BALASAHEB VIKHE PATIL)

(a): As per the 34th Round of Business Expectations Survey conducted by NCAER on the basis of a sample of 587 responses received in September-October, 2000, the Business Confidence Index (BCI) declined to 103.6 from 118.2 in the 33rd Round. This reflected diminished expectations on overall economic environment, financial position of firms, investment climate and capacity utilisation. However, the Northern Region, which accounted for 28.3 per cent of the sample, registered an increase in BCI from 95.4 in the 33rd Round to 98.5 in the 34th Round. This reflected positive expectations on capacity utilisation and financial positionwhich compensated for the decline in expectations on overall economic conditions. The decline in expectations on investment climate was negligible in the case of Northern Region.

2. The survey also reveals that majority of the investing firms in the manufacturing sector expect their investment to add to the existing capacity and 50 percent are planning to invest to improve competitiveness. One-third of the investing firms plan to invest in their own line of business and one-fifth propose to enter into the Information Technology (IT) sector.

(b) & (c) : The Government is aware of the situation and keeps a close watch on both internal and external factors. The Finance Minister recently took a meeting with selected Associations of Industry and Commerce to discuss the current state of Indian economy, with special reference to performance of industry and infrastructure sectors. The Finance Minister requested the participants to suggest specific measures, which need to be taken in the short and medium term to improve industrial production and overall economic growth. The Associations have submitted their suggestions, which are kept in view by the Government while undertaking appropriate policy measures aimed at improving investment climate and business confidence.